

# What does entrepreneurship look like in the new normal?

 By [Philani Sangweni](#)

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For years, we've been told that entrepreneurs are key to South Africa's economic growth and job creation. If we had any hope of escaping quarter after quarter of sluggish growth (or recession), we were told, we needed to support and invest in entrepreneurs.



Philani Sangweni, managing partner at Entrepreneurs 4 Entrepreneurs (E4E) Africa

If that's the case, and I think it is, how much more do we need to invest in them now that Covid-19 has ravaged an already weak economy?

Perhaps more importantly, what does entrepreneurship look like in the “new normal”? What should entrepreneurs do to survive right now? And how can investors and other players help them in the coming months?

## **Problem solvers**

While Covid-19 has severely impacted many entrepreneurs, there are many others who've shown resilience and even grown.

That shouldn't be all that surprising. Entrepreneurs, essentially, are people who exist to solve society's problems. So if an entrepreneur is doing exactly that, there's actually quite a lot of opportunity to use innovation in a positive way to solve society's problems and indeed thrive during this time.

As much as things are tougher for everyone right now, if you've got a compelling solution to a problem that everyone sees, and most people experience, you're likely to thrive.

We've experienced this as investors. Over the past few months, we've actually approved four deals with businesses that are solving South African problems which although they existed pre-Covid-19, have been exacerbated by the pandemic. These are problems in healthcare, in food delivery and access to proper retail in the townships, job creation, and transport and mobility.

Like the entrepreneurs we support, we see these problems as an opportunity. And we're pretty sure a lot of older venture capital funds, and newer venture capital funds in the space, share our sentiment.

### **Staying afloat**

That does not, however, mean that things have automatically been fine for entrepreneurs. Many, particularly in the B2B space, have had to face late or deferred payments from clients. Rather than give up and shut down the business, entrepreneurs should explore what contract financing options are available, or whether they can access their banks' Covid-19 relief programmes.

Another option is for entrepreneurs to accelerate their fundraising plans. So, for example, if an entrepreneur planned to raise from VC firms a year from now, they can do so immediately in order to ensure they have sufficient cash flow to allow their clients a bit of time to also improve their situation.

Alternatively, they can approach their existing investors. Most know that entrepreneurs are experiencing tough times, and they know that's true of the clients of those entrepreneurs too, especially in the B2B space. As such, they're open to having the following kind of conversation with entrepreneurs they support: "How do we buy you a little more time? You've still got a compelling business and we want to ensure you have the ability to survive and continue to solve the problem you've been solving."

### **Support from all sectors**

Ultimately, what the past few months have taught us is that all stakeholders, in both the public and private sectors, must put our money where our mouths are when it comes to entrepreneurship.

As a country, we're funny in that we speak a lot about the importance of entrepreneurship but when it comes to getting behind entrepreneurs in a meaningful way, we always find excuses not to do so. The large banks and government are particularly guilty of this. If you apply to a government institution for funding, for example, it's likely to take three to six months before you get approved. That length of time can sound the death knell for some businesses.

If we really are serious about supporting entrepreneurs, the various stakeholders, including investors, banks and the government, probably need to get together and figure out what we've learned over the past few months, and how we can use those lessons to save small businesses.

What lessons can we take from our experience when it comes to creating a new normal around funding entrepreneurs?

We talk about a new normal to which entrepreneurs must respond, but everyone within the entrepreneurial ecosystem must come together and find ways to support them through that new normal.

## ABOUT PHILANI SANGWENI

Managing Partner at Entrepreneurs for Entrepreneurs Africa

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